



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: City of Lodi Electric Utility Open Access Policy

MEETING DATE: November 17, 1999

PREPARED BY: Electric Utility Director

RECOMMENDED ACTION: That the City Council adopt the proposed Open Access Policy and related actions described below.

BACKGROUND INFORMATION: Through passage of AB1890, the State legislature intended to create a competitive electric utility industry throughout California. While much of the language of AB1890 was very specific as to investor-owned utilities, it is felt that actual implementation of the requirements by municipal-owned utilities was within the purview of their respective governing boards. In Lodi's case, the governing board is the City Council.

There are four components to electric service: 1) generation; 2) transmission; 3) distribution; and 4) billing services. At this time, the Electric Utility Department proposes open access for the **generation** component of electric service and the imposition of a temporary Competition Transition Charge (CTC). The Department's recommendation is based on the following:

1. Denying customers open access to generation does not meet the intent of AB1890 and would subject the City to whatever remedies the legislature may decide to take. In addition, the City would be perceived by its customers as possibly not acting in their best interests by restricting access to a means of lowering their energy costs.
2. With the advent of the Independent Systems Operator (ISO), retaining control of the City's small portion of the California-Oregon Transmission Project (1.89%) is probably moot and of little financial impact. No policy changes are recommended for transmission.
3. By keeping control of the distribution component, the City will be able to insure that the electric system is operated and maintained to its current high standards and that system upgrades are undertaken in a manner that is responsive to customer needs. This arrangement also provides a vehicle for the City to collect in-lieu taxes used to support needed public services.
4. Continuing to provide billing-related services allows the City to maintain control over metering, billing and collection and insures customers will get what they pay for. No policy changes are recommended for these services.
5. The City's electric generating portfolio contains a number of above market resources. This "stranded investment" must still be paid down in some manner in order to prevent significant revenue erosion.

APPROVED: _____

Janet Ketter
H. Dixon Flynn City Manager



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Recent project debt restructuring has reduced debt service cash flow requirements as far as possible for the present, leaving the remainder to be paid for through an AB1890-sanctioned Competition Transition Charge (CTC). The CTC would be chargeable to customers utilizing an alternate electric energy provider. It is estimated that the City of Lodi will need to maintain a CTC through fiscal year 2005, depending on market conditions.

The attached milestone chart shows the ambitious schedule that must be met in order to offer open access to all customer classes by July 1, 2000. This includes completion and implementation of new policies, procedures and electric rate schedules as well as changes to supporting accounting and billing systems required to support to offer Open Access.

In summary, the above policy is intended to give customers maximum access to reliable electric power without compromising the reliability or quality of the City's electric and public services.

FUNDING: Not applicable

A handwritten signature in black ink, appearing to read "Alan N. Vallow".

Alan N. Vallow
Electric Utility Director

PREPARED BY: Jack Stone, Manager Business Planning and Marketing

ANV/JLS/lst

C: City Attorney
Finance Director

APPROVED: _____

H. Dixon Flynn - City Manager

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